

Market Alert

GCR publishes the sector risk score for Spanish commercial property

Summary

31 July 2019 - GCR Ratings ("GCR") has published the Corporate Sector Risk Score for Spanish Commercial Property.

Corporate Sector Risk Scores (0-13)

Spanish Commercial Property Sector Risk Score: 8

The Spanish sector risk score of '8' is reflective of expectations of stable annuity income, supported by medium-long term leases, improving occupancy rates and generally good access to capital. The overall sector risk profile is weaker when compared to those of more developed European counterparts, as Spanish real estate is viewed as a more speculative investment proposition that is prone to higher earnings and value variability through the cycle. Nonetheless, Spanish real estate is expected to continue to benefit from structural improvements to the economy, sound private wealth levels, and additional support to the economy from strong tourism volumes. Although down from prior highs, international capital inflows into the sector remain strong, coupled with a new wave of bank participation. SOCIMIs with strong funding structures are therefore expected to continue to acquire well-positioned assets deemed non-core by larger REITs, or as some international investors seek to realise gains from legacy investments.

The GCR Sector Risk Assessment

GCR utilises sector risk scores in conjunction with the country risk score, to determine the operating environment risk score for each individual sector within a respective jurisdiction. The sector risk score is an aggregation of a) cyclicity b) ease of doing business and c) sector specific dynamics scores, and is intended to provide users with an overview of the major factors that impact GCR's assessment of the relative risk of the specific sector. The Spanish sector risk score has been assessed due to the exposure of certain corporate(s) in GCR's corporate rating universe to the country's commercial real estate segment. In this regard, selected sector risk scores across a range of jurisdictions will be introduced to the extent that they impact the credit risk profiles of corporates in GCR's ratings universe, and will be updated as underlying factors evolve.

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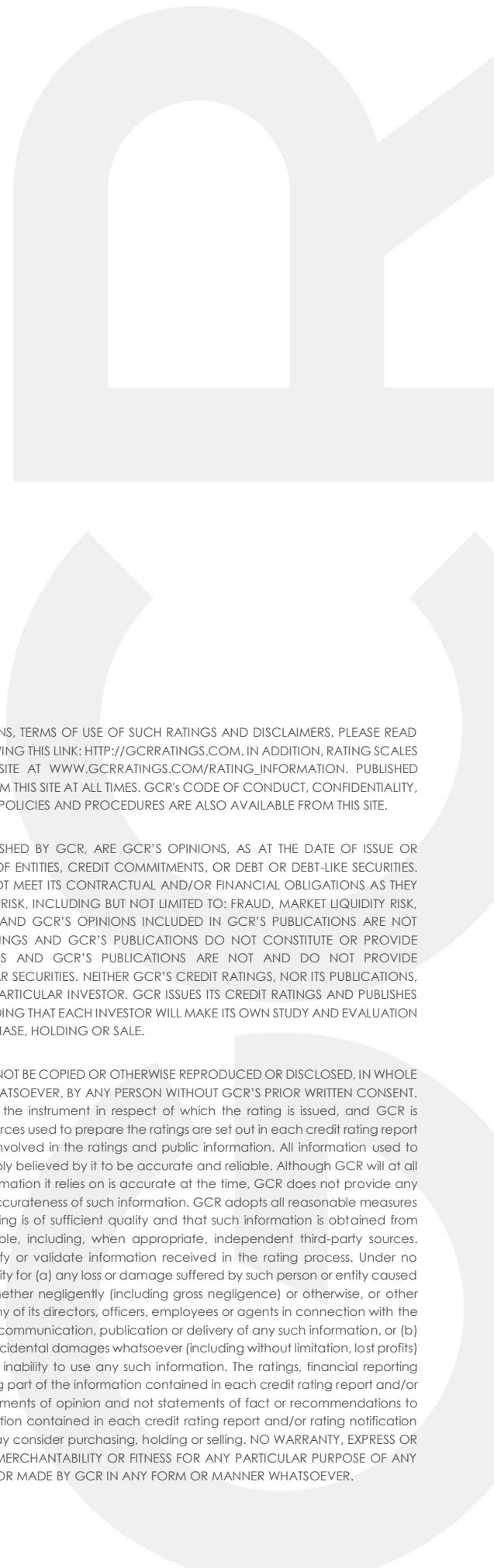
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Related criteria and research

Criteria for the GCR Ratings Framework, May 2019

Criteria for Rating Real Estate Investment Trusts and Other Commercial Property Companies, May 2019

GCR's Country Risk Score Report, June 2019



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